State Employee Benefits Advisory Council Meeting
April 14, 2011
Statewide Benefits Office
Dover, Delaware

The State Employee Benefits Advisory Council met on April 14, 2011 in the Statewide Benefits Office, 500 W. Loockerman St., Suite 320, Dover, Delaware. The following Council members and guests were present:

Faith L. Rentz, OMB, SW Benefits
Deputy Director
Patricia Griffin, SEBAC Chair, AOC
Marsha Carson, SEBAC, DOS
Michael Nichols, SEBAC, DSP
Frederika Jenner, SEBAC, DSEA
Ann P. Skeans, OMB, SW Benefits
Mary Thuresson, OMB, SW Benefits
Mary Cooke, DOE
Lisa Carmean, City of Milford
Judy Anderson, DSEA

Ms. Rentz called the meeting to order at 3:04 p.m. Mary Cook was welcomed as a new SEBAC member. Introductions were made around the room.

1. Approval of Minutes

Ms. Rentz asked members to review the minutes. Ms. Skeans pointed out a correction to be made. In number two, line two, Consumer Driven Health Plan needs to be changed to be Consumer Directed Health Plan. Ms. Rentz requested a motion to approve the minutes. Ms. Jenner made the motion and Ms. Carson seconded the motion. Upon unanimous voice vote the minutes were approved.

2. Update of SEBC Activities – Faith Rentz (handouts)

At the March 28th SEBC meeting they voted on the medical plan rates for Fiscal Year (FY) 2012. They remained unchanged, both state share and employee share. They moved to approve compliance with the Mental Health Parity. Incentives for the DelaWELL Program were explained and approved for FY 2012.

Agenda items for Tuesday, April 19th SEBC meeting were reviewed and discussed. The Fund and Equity Report showed an ending balance of $33.8 million (M). It is mostly attributable to a prescription drug rebate from Medco. They are still moving toward the $43 M surplus expected by the end of June.

There is an update on the Spousal Coordination of Benefits (COB) Policy which has been in place since 1993. Medicare primary retirees that have a spouse covered have never been required to complete a spousal COB. Starting with this Open Enrollment (OE) they will be asked to complete a COB. Moving forward, all employees and retirees in our population will be asked to complete the COB form. It is possible that some spouses upon retirement could have a retiree benefit through their former employer. In most cases benefits for retirees, if you retire from your employment there may be a retirement benefit available to you, but if you don't take advantage of it at the time of retirement you're not able to go back later and say you want it. Because we have a fairly rich retiree benefit which is extended to spouses, in most of those situations we're probably getting those spouses under our plan rather than them opting to enroll in retiree coverage through their employer at time of employment. They want to apply this policy to the retirement population going forward. That will be the only change. Questions and answers followed. It will be a potential cost savings. If they are currently covering a spouse, they can continue to be covered if they have no other benefit. (NOTE: Following the April 14th SEBAC meeting, implementation of this change to the Spousal COB policy was postponed until July 1, 2011)

There will be an update on Adult Dependent Children (ADC) coverage. There currently is a piece of legislation, Senate Bill 35, which if passed will allow dependents who will graduate or turn 24 in May, to remain covered under their parent's policy during June 2011. Otherwise, they would have 30 days with no coverage. The bill was passed last week by the Senate. Today is the last day the legislature is in session and then they take a break for two weeks, so it probably won't go through before the break. Providers have been asked not to send out letters for employees to recertify these full time students, as it will not be a requirement effective July 1. Our office is going to send a letter out to every employee who has a dependent over age 21 and explain about this bill that may or may not pass. They will be updated and we will post on our website what happens with the bill. Until it passes they need to be aware if their dependent is graduating or turning 24 in May, their coverage will terminate effective June 1. They will also be informed about the Adult Dependent COB policy and the mailing will provide them the form they will need to complete. This information will also be in the Open Enrollment materials and booklet. Blue Cross has about 1,500 dependents in need of recertification. Aetna reported about 200. If and when the bill is passed blast emails will be sent to all benefit reps to inform them, as well as putting it on our website.

House Bill 81, if passed, changes pension and health care benefits. Most changes do not go into effect until 2012. There were questions at the last SEBC meeting. An overview of the bill will be done at SEBC meeting Tuesday. A handout (chart) was provided and discussed. Currently pensioners contribute to their pension at three percent after the first $6,000 in compensation each year. That will move to five percent for employees hired on or after January 1, 2012. Prior hires will not be affected. Vesting for purposes of pension benefits will move from five to ten years for employees hired on or after January 1, 2012. The early retirement reduction factor, which is the penalty the employee receives if they retire early, will move from point two to point four percent for employees hired on or after January 1, 2012.

The next item was related to the addition of overtime compensation in calculation for a pension benefit and the average of your three highest years of income. Right now when you retire your pension benefit is calculated on the three years you earned the most income. That could include overtime. In some pay grades employees earn as much or more in overtime as they make in base salary. That becomes part of the calculation for their retirement benefit. That will be reviewed by each cabinet secretary. A written policy is being required that limits use of voluntary and mandatory overtime in that calculation. Questions and discussion followed. This would take effect for new hires on January 1, 2012. The cabinet secretaries need to create a policy that limits overtime for current employees. This would be for selected employees as not all get overtime.

The last component in the bill is a change in the normal retirement age. The change would be 10 years of service at age 65; 20 years of service at age 60; or 30 years of service at any age. This would be for new hires. Currently it is 62 and five years; 60 and 15 years, or reduced at 55 with at least 15 years. It is 30 years at any age.

There will be health care changes coming. Currently there is a free plan with no employee contributions. As of July 1, 2012, if the bill is passed, that plan will no longer be free. There will be a fixed cost share for each of the health plans in existence today. It means a slight increase for the other plans (handout with rates). Ms. Jenner explained the rate chart had been passed around Department of Education with an effective date of July 1, 2011 on it. It created a lot of confusion. It originated from DHSS. The rates will remain the same for FY12. There will be two new Consumer Directed Health plans available. $13.8M will be saved over five years with more long term with the rate changes if this is passed. That money is from General Funds. The chart figures were explained and discussed.

Another change is that currently Medicare primary retirees receive 100 percent state share for the Special Medicfill plan with 20 or more years of service and there is no retiree contribution. Those who retire after July 1, 2012 will see a five percent cost reduction in that state share. They will have a five percent retiree contribution when they become Medicare primary and enroll in the Special Medicfill plan. Discussion followed.

The next change applies to employees hired on or after January 1, 2007. This changes vesting for state share for retiree health care. Currently at 10 years you are 50 percent vested. That's going to change, that until you reach 15 years you are not vested for retiree health care. At fifteen years you would get fifty percent. You would get 75 percent at 17 ½ years, and 100 percent at 20 years. Currently it's 50 percent at 10 years, 75 percent at 15 years and 100 percent at 20 years. Discussion followed. It was noted that post retirement health care is not a contractual obligation on the part of the state to provide that to its employees. Changes made were to help ensure viability of those programs in the long run to guarantee they would be here years down the road. Many did not know that was not a guaranteed benefit. The pension is a contractually guaranteed benefit.

The last component for health care is the controversial double state share (DSS). If passed, the bill will eliminate DSS for employees who are hired or become benefit eligible after January 1, 2012. For current DSS employees, as of next July they will pay $25 a month, no matter what plan they have. We agreed it is the lesser of either the premium or the $25. If they have separate contracts they will each pay the fee. They still have the option to have two contracts. Discussion revealed that upon inception of the DSS, it was actually a savings to the state and not just the employees. DSEA did a survey as to public opinion about DSS and it was about 50/50.

Ms. Griffin asked if when the SEBC recommended no increase in rates for next year, that Early Retirement Reimbursement Program (ERRP) money would be used to cover any deficit. Ms. Rentz acknowledged it was. Up to $19M is expected to be received from ERRP in FY11. There was discussion how they would close the remaining gap between projected expenses and projected revenue for FY12. They will draw down that ERRP money by taking the first $800,000 in claim payments that come in monthly and it will be pulled from that ERRP money. Ms. Griffin heard the federal government was going to limit the ERRP money. She asked how that would affect projections. Ms. Rentz was unfamiliar with that but understood the money may be gone by the end of 2012. She believes it becomes an issue if we rely on that money beyond this upcoming FY12. There are still three quarters of reimbursement that will need to be requested.

FAQs (in handout) will continue to be added to as questions come in. They were given out at HR Roundtable but are not on the website. The FAQs will be forwarded to Department of Education and schools. They may be put on the website.

Ms. Rentz was uncertain if the COB update required SEBC approval. With regard to the Adult Dependent Children update, those age 24-26 that will be potentially added back to the employees policies effective July 1, is a limited to only children of the employee; son, daughter or adopted child as opposed to grandchild, niece, nephew. Currently our eligibility rules allow an employee who may have guardianship of a child other than their natural born child or adopted child or step child to be covered. They are allowed to be covered up to age 24 if a full time student. With regards to the 24-26 coverage under health care reform, if they are not the son, daughter or adopted child of the employee they are not able to add them back on because they are participating on a pre-tax basis. There is a piece of epilogue in the budget bill that would change that in eligibility rules and in the code. It has no impact on a dependent up to the end of the month in which they turn 24, or assuming they are a full time student. There are a very few who do not meet that definition that are currently covered. They are waiting for the piece of legislation to pass so they can cover all the different scenarios that could exist and make sure all are informed if their dependent is covered and what they would need to do to continue coverage.

Ms. Griffin asked if they had estimated any costs associated with the civil union bill. Coverage from a health care perspective had been provided, but there are other potential costs. There are questions as to how you could get a true cost. It was asked if the civil union would take effect immediately and if they would get DSS. Will it be equated with marriage for purposes of the DSS? That will be dealt with once it is signed into law. They wondered if the civil union will be equated to marriage in terms of benefit coverage. It was noted it will most likely have a future effective date. There will have to be some type of certificate. Any separation will go through the court.

3. SEBAC Comment to SEBC

None.

4. Other Business

None.

5. Public Comment

None.

Ms. Griffin asked for a motion to adjourn. Ms. Carson made the motion and Ms. Cook seconded the motion. Upon a unanimous verbal approval the meeting adjourned at 4:17 p.m.

Respectfully submitted,

Mary Thuresson
Administrative Specialist
Statewide Benefits Unit, OMB